ASEAN AS A LIVING, BREATHING MODERN MIRACLE

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When the Cold War ended in 1991, Europe was enveloped in a shining glow of optimism. James A. Baker III, the then-U.S. Secretary of State, spoke of the promise of “a Europe whole and free and a Euro-Atlantic community that extends from Vancouver to Vladivostok […] resting on shared principles.” This optimistic glow also covered the Balkans of Europe, which had been at peace during the Cold War.

By contrast, the ‘Balkans of Asia’—namely the region of Southeast Asia—had experienced several decades of conflict and turmoil, including two of the biggest wars fought since World War II, namely the Vietnam War and the Sino-Vietnamese conflict. It would, therefore, have been perfectly natural for any seasoned strategic thinker to predict that, at the end of the Cold War, peace would reign in the Balkans of Europe, and conflict would engulf the Balkans of Asia. Instead, the exact opposite happened. Why?

The simple answer is that Southeast Asia has been blessed with the most successful regional organization after the European Union. It is called the Association of Southeast Asian Nations (ASEAN). After several decades, it has evolved into a living, breathing modern miracle worthy of deeper attention and analysis from the world’s strategic community. In this essay I will endeavor to explain why ASEAN is a geopolitical miracle; the challenges and opportunities that lie ahead for ASEAN; and the lessons that the rest of the world can learn from ASEAN.

A GEOPOLITICAL MIRACLE

To understand why ASEAN is a geopolitical miracle, it is important to realize that if one had to pick the most difficult region for organizing regional cooperation, the prime candidate would be Southeast Asia.

No other region of our planet is as diverse as Southeast Asia. The 600 million residents of Southeast Asia are divided by a wide array of languages, religions, and traditions. ASEAN includes 240 million Muslims, 130 million Christians, 140 million Buddhists, 7 million Hindus, and 50 million followers of folk religions. ASEAN’s political systems, too, span a wide spectrum, from representative democracies to one-party states and monarchies. The region’s cultures are even more diverse. Consider the Acehnese and the Javanese: both are categorized as Muslim in Indonesia, but culturally they could not be more different. The Acehnese, keen to assert their separate identity, waged a bitter war of secession in Indonesia, and Aceh is the only province in Indonesia under Sharia law.

Given this remarkable diversity, Southeast Asia should have been a hotbed of separatist movements and political divisions. As Ruth McVey, an...
Barry Desker, Dean of the S. Rajaratnam School of International Studies, described the situation as follows:

Readers of The Straits Times in 1965 would have been struck by the dismal regional outlook. Harsh rhetoric was exchanged between Malaysian and Singapore leaders. Front page reports highlighted the worsening conflict in Vietnam, with growing instability in the countryside, mounting pressure from the Viet Cong insurgent movement, spillover effects in Laos and Cambodia, and sharp increases in the deployment of American troops. There was also good coverage of the bloodletting in Indonesia following the Oct 1 attempted coup involving the Indonesian Communist Party and factions in the Indonesian military. Considerable attention was given to the communist insurgencies in Malaysia, Thailand and Burma. Southeast Asia seemed to be a hotbed of conflict, riot and revolution.

I can say from personal experience that, at the beginning of ASEAN’s existence, the tensions between the delegates were high. I recall vividly that when I first began attending ASEAN meetings, in 1971, the suspicion and distrust in the room was palpable. Each country tried to gain at the expense of others. Two decades later, when I started attending ASEAN meetings again, I was astonished to see that the initial distrust had fallen away. Instead, ASEAN meetings were characterized by goodwill and a sense of common purpose.

Today, the commitment to peace amongst these nations is exemplified by the Treaty of Amity and Cooperation (TAC), adopted in 1976. The TAC focuses on delivering regional order and peace through soft institutionalism and dialogue. The fact that non-Member States, like India, China and the United States, are also signatories of the TAC is a testament to ASEAN’s geopolitical success. Another important milestone in ushering in peace in the region was achieved by ASEAN through the 2002 Declaration on the Conduct of Parties in the South China Sea. Besides these, there are now a large number of treaty-based and non-treaty-based strategic alliances and multilateral security arrangements in the region. Furthermore, ASEAN Member States also lead by example. Singapore and Malaysia demonstrated their respect for international legal norms when they turned to the International Court of Justice for the resolution of the Pedra Branca dispute, which arose from conflicting claims to the islets of Pedra Branca, Middle Rocks and South Ledge.

ASEAN members are no fair-weather friends, either. They have been through some truly bad times together. From 1997 to 1998, ASEAN took a massive hit from the Asian Financial Crisis. In 1998 the economies of Indonesia, Malaysia and Thailand respectively shrank by 13 percent, seven percent and 10.5 percent. This led inevitably to political upheaval, and caused President Suharto’s 32-year rule of Indonesia to come to an end. But, remarkably, Indonesia did not fall to internal strife.

Instead, it is well on its way to becoming one of the largest economies in the world, under the governance of its much-lauded new leader, Joko Widodo.

Since the Asian Financial Crisis, the ASEAN countries have made a remarkable comeback. By 2011, intra-ASEAN trade had multiplied more than sevenfold since the ASEAN Free Trade Area was established in 1993. In 2013 the ASEAN-5 (Indonesia, Malaysia, the Philippines, Singapore, and Thailand) received more foreign direct investment inflows than China. ASEAN’s GDP in that year was $2.4 trillion, making it the seventh-largest economy in the world. In fact, United Overseas Bank recently predicted that the ASEAN economy would surpass that of Japan by 2025. McKinsey has also predicted that ASEAN will be the fourth-largest economy in the world by 2050. All this has happened in one of the world’s least promising regions.

**CHALLENGES AND OPPORTUNITIES**

Despite these remarkable successes, it would be a mistake for ASEAN to rest on its laurels. It will continue to face significant stresses and challenges—both internal and external. The first set of challenges will come on the geopolitical front, for the world’s biggest shifts of geopolitical power in the time ahead will take place in Asia.
The most important geopolitical relationship is always between the world’s number one power (now the United States) and the world’s number one emerging power (now China). In 1980, according to IMF statistics, in PPP terms, the United States’ share of the global GNP was 25 percent, while China’s share was 2.2 percent—less than 10 percent that of the United States. But by the end of 2014, in PPP terms, China’s GNP will be higher than that of the United States. And the trend line is very clear: China will continue to grow larger than the United States. In theory, Sino-American relations should hit a peak of rivalry in the next decade. In practice, they are incredibly stable. Both Washington and Beijing deserve credit for having managed their relationship exceptionally well. However, if the relationship is not managed successfully in the future—if either government gives way to populist and nationalist sentiments and provokes the other—the results would be disastrous, especially for the ASEAN countries, should they be forced to choose sides.

Already, ASEAN countries have become divided over one of the current debates between the United States and China: Beijing’s initiative to set up the Asian Infrastructure Investment Bank (AIIB), which was opposed by Washington. American lobbying against this new organization was effective in preventing Australia and South Korea from joining the AIIB, although most other countries in the Asia-Pacific region expressed their support for the new organization. Among the ASEAN countries, all joined the AIIB at its founding, except for Indonesia (it is now clear, however, that Indonesia will also join soon). This is an indication of the kind of geopolitical struggles that are and will continue to occur.

This AIIB episode demonstrated that ASEAN will also face considerable challenges if the Sino-American rivalry for influence in the region grows. Currently, the United States and China are competing by cultivating their economic and diplomatic ties in the ASEAN region. This is beneficial for the ASEAN countries, as they will reap the benefits of American and Chinese trade and investment. However, if the U.S.-China relationship sours, ASEAN countries will actively seek to resist the geopolitical pressures to choose sides. It will benefit none of the ASEAN states to alienate either the United States or China. Historically, the ASEAN Member States have had varying levels of closeness to these superpowers. Hence, in the event of enhanced rivalry between the United States and China, ASEAN faces the danger of devolving into a house divided against itself.

A number of ASEAN Member States also have differences with China over several islands in the South China Sea. To be frank, China has made some serious mistakes in recent years by being too aggressive on South China Sea issues. The implementation of the 2002 Declaration of the Conduct of Parties in the South China Sea has been shaky at best. ASEAN received a taste of the kind of geopolitical challenges that could lie ahead when it failed to issue a joint communiqué in 2012, due to Cambodia’s opposition to the inclusion of references to the South China Sea issue. The blocking of this ASEAN joint communiqué was also seen as a major geopolitical mistake by China. Fortunately, China learned from its mistake and future ASEAN joint communiqués were issued smoothly. In August 2014, for instance, ASEAN’s communiqué was strong and cohesive. In October 2014 ASEAN and China vowed to strengthen cooperation in order to prevent incidents in the South China Sea.

Another geopolitical tripwire in the region could emerge over the relationship between China and India—which is also among the world’s most important geopolitical relationships, as these two countries are the world’s future number one and two economies. Relations between these states are mixed, with elements of both cooperation and competition. If ties between Beijing and New Delhi do not improve, ASEAN countries could also suffer gravely, with many ASEAN countries having close ties with both India and China. Moreover, both China and India are important trade partners for ASEAN. China-ASEAN trade is currently $400 billion. In 2020—just five years from now—this will have skyrocketed to $1 trillion. India-ASEAN exports amount to $80 billion now; in 2024 they will have more than tripled to $280 billion. ASEAN must, thus, remain on good terms with both powers in order to remain relevant on the global stage. Both countries are similarly interested in courting ASEAN.

In October 2013 President Xi visited Indonesia on the first leg of a Southeast Asian tour. He said that:

A more closely knit China-ASEAN common destiny conforms to the trend of the times for seeking peace, development, cooperation, and mutual benefit, and meets the common interests of the people of Asia and the world, hence enjoying a broad space and huge potential for growth.

He then assured the Indonesian parliament that "China is fully committed to the path of peaceful development, the
independent foreign policy of peace, and the opening-up strategy for win-win results.” President Xi went on to say that “a stronger China will add to the force for world peace and the positive energy for friendship,” adding that his country will present development opportunities to Asia and the world, rather than posing a threat. President Xi concluded that “China will continue to share opportunities for friendship, adding that his country will supplement our deepening bilateral ties with each member. No region in the world,” he continued, “embodies so much dynamism or faces so many challenges as the region spanning the Indian Ocean, continental Asia and the Pacific Ocean.” Prime Minister Modi concluded by saying that he looked forward to discussions on how “we can strengthen regional institutions, international norms and regional cooperation in pursuit of peace, stability, and prosperity.”

A little over a year later, in November 2014, Prime Minister Modi said that “ASEAN is at the core of our Act East Policy and at the center of our dream of an Asian century, characterized by cooperation and integration.” He spoke of working with ASEAN leaders on how to take ties with the organization and its Member States to a new level, “which will supplement our deepening bilateral ties with each member. No region in the world,” he continued, “embodies so much dynamism or faces so many challenges as the region spanning the Indian Ocean, continental Asia and the Pacific Ocean.” Prime Minister Modi concluded by saying that he looked forward to discussions on how “we can strengthen regional institutions, international norms and regional cooperation in pursuit of peace, stability, and prosperity.”

On the economic front, the key challenge ASEAN faces is the implementation of the ASEAN Economic Community (AEC), the goal of which is to integrate the region by 2015 by reducing barriers to intra-regional trade and investment, so that the ASEAN states can be more competitive in the global arena. ASEAN has made good progress towards regional integration in many areas. For example, more than 70 percent of intra-ASEAN trade is tariff-free, and 99 percent of ASEAN total tariff lines were eliminated by 2010, which has brought the average tariff to 0.9 percent. However, it seems unlikely that all the goals of the AEC will be met by 2015. Now that the low-hanging fruit have been picked, the more difficult tasks remain. The biggest obstacle to economic integration in the region is the schizophrenic attitude of the ASEAN countries when it comes to the AEC. Though they are eager to reap the benefits of integration, they do not want to open up their own markets to the resultant competition.

Although many ASEAN countries have almost completely eliminated tariffs on most goods (with the exception of sensitive items like rice and sugar, which are difficult to eliminate due to national food security concerns), non-tariff barriers remain in place. The process of eliminating non-tariff barriers has been slow and arduous. Service trade liberalization, which will provide the greatest boost to GDP growth rates for the ASEAN-5 and Vietnam, is also progressing slowly. Less than 50 percent of the Master Plan on ASEAN Connectivity (MPAC) had been implemented by April 2013, partially due to funding shortfalls. The ASEAN Open Skies policy is also incomplete, with several key states not having signed all the agreements—including Indonesia, which is the largest ASEAN state.

Moreover, the ASEAN Single Window (ASW) project, which expedites cargo clearance in ASEAN, is delayed as the Member States have not fully established their National Single Windows (NSWs). As the ASW allows information to be shared across the NSWs, the NSWs must be completed before the ASW can be finalized. Lastly, questions remain about the preparedness of these economies to undergo integration, with the IMF warning of possible increases in volatility and risks of contagion in the region with the implementation of the AEC. Effective regulatory infrastructure must be put in place to mitigate these risks.
Researchers have developed a computable general equilibrium (CGE) model which projects that under the AEC, ASEAN economic welfare should rise by 5.3 percent. In fact, net benefits will exceed 5.3 percent, as the CGE model—which assumes the elimination of tariff and non-tariff barriers, and service sector liberalization—does not take into account the fact that freer movement of capital will lower costs and raise efficiency.

The conservative macroeconomic policies required for the AEC would also improve macroeconomic stability. According to an authoritative study published by Singapore’s Institute of Southeast Asian Studies, competition policy alone could increase the per capita GDP of the ASEAN-6 countries by 26 to 38 percent. Another model shows that time savings due to the AEC would significantly impact GDP, especially in Cambodia, Laos, and Vietnam.

Moreover, in her paper for the Asian Development Bank Institute, Chia Siow Yue wisely suggests that:

A better effort needs to be made to gain the acceptance of legislators, government officials, business leaders, and the general public of the benefits of trade and investment liberalization and of the costs of non-action. There should be greater understanding of the political economy of free trade agreements.

If there is more widespread understanding and anticipation of regional integration and its benefits, businesses and the general public will place more pressure on legislators to get it done.

Another challenge ASEAN faces is the need to strengthen the ASEAN Secretariat. Currently, the Secretariat has very little power; for instance, it has no compliance mechanisms to enforce integration agreements. It also suffers from low funding. At the very least, the Secretariat should be provided with enough resources to monitor and coordinate integration efforts effectively. In the aforementioned paper, Chia also argues that the current funding system, wherein each ASEAN country contributes the same amount to the Secretariat, is not sustainable. However, several Member States are unwilling to delegate authority to a supranational body like the ASEAN Secretariat.

With the emergence of new non-Western powers, the world at large is moving from a mono-civilizational world to a world where many successful civilizations will share economic and political space with each other.

McKinsey also suggests that ASEAN needs to invest in and deploy disruptive technologies—namely the mobile internet, big data, the Internet of Things (i.e., networks of sensors and actuators embedded in physical objects, such as those used in smart storage and tracking systems), the automation of knowledge work, and cloud technology.

Resolving these roadblocks and preparing to meet future challenges could usher in an era of incredible regional prosperity. The consumer market in ASEAN grew from $300 billion in 2000 to $1.17 trillion in 2013 and, according to Asian Development Bank projections, the region’s middle class population is expected to expand from 172 million in 2010 to 454 million in 2030. In a recent study, McKinsey suggests that if ASEAN can take full advantage of its unique geographical circumstances by implementing the AEC and expanding its free-trade agreements, it could create $280 billion to $625 billion a year in additional value by 2030.

Similarly, as the region’s middle class population starts to boom, governments would have to make significant investments in infrastructure in order to create liveable and sustainable cities for this rising middle class to live in. The creation of such cities will also attract multinational players to invest in the region, due to the prospect of newer and larger markets.

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That being said, there is no doubt that the EU is far more successful than ASEAN in the area of war and peace. Today, between any two EU states, there are not just zero wars, but also zero prospect of war. Between any two ASEAN states, there are also zero wars, but, unlike the EU, ASEAN has not yet achieved zero prospect of war. In this area ASEAN needs to learn lessons from the EU.

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Doing so would result in productivity gains. With the right investments in technology infrastructure and human capital, ASEAN economies will get another significant boost.

LESSONS TO LEARN FROM ASEAN

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a peaceful and cooperative multi-civilizational world will not be easy. Hence, the world will be looking for examples of successful multi-civilizational cooperation. Here the EU has no lessons for the world, but ASEAN certainly does.

It is shocking that, after many decades of existence, the EU remains a monocivilizational club. All the EU Member States share common Greco-Roman roots and Christian heritage. The EU’s efforts to bring in just one non-Christian major and Christian heritage. The EU’s efforts to bring in just one non-Christian member-state, Turkey, have failed. By contrast, ASEAN is the most multi-civilizational club in the world. Every major civilization is represented in its ranks: Western, Chinese, Hindu, Buddhist, Islamic, Taoist, and Confucian—to name only the most obvious.

How did ASEAN manage to generate harmony and cooperation among its multi-civilizational members? There are at least three factors that explain this success. Firstly, its diplomatic success owes a lot to the fact that it has fostered a culture of *masyarakat and mufakat* ("consultation and consensus" in Indonesian). This ethos is now hailed by many as the "ASEAN way," and it has helped nations like Myanmar achieve a peaceful transition from decades of harsh military rule, whereas nations in similar situations in other regions—Syria, for example—have been plagued by conflict. As well-respected American University Professor Amitav Acharya puts it, the ASEAN way is characterized by a high degree of discreteness, informality, pragmatism, expediency, consensus building, and non-confrontational bargaining styles, which are often contrasted with the adversarial posturing and legalistic decision-making procedures in Western multilateral negotiations.

By persistently engaging regimes like Myanmar’s military junta economically and politically, ASEAN prevented a hardening of its positions due to isolation. The EU, in particular, should carefully study this ASEAN practice of "consultation and consensus." After the disastrous breakdown in discussions between the EU and Russia over Ukraine, the EU resorted to its traditional habit of imposing sanctions on Russia, even though EU member states knew that their sanctions would not change Russia’s behavior at all. These EU sanctions made the EU countries feel good, but they did no good. By trying to isolate Russia, the EU states are moving towards creating a long-term problem for themselves. Instead of isolation, the EU should emulate the wisdom of the ASEAN and engage in the "ASEAN way" of "consultation and consensus" with Russia.

The second key to ASEAN’s success is networking. ASEAN now organizes more than 1,000 meetings a year to discuss topics ranging from climate change to cultural exchange. Consequently, thousands of invisible informal networks have evolved in the region. Myanmar is a key example of the success of this approach. When Western leaders shunned and isolated Myanmar and its military junta, ASEAN actively engaged it, despite harsh criticism. Representatives from the junta attended numerous ASEAN meetings. Through these meetings, they witnessed first-hand the developmental strides made by other Member States through liberalization. They were exposed to best practices in environmental management, healthcare, education, industrial development, agriculture, and more. Slowly, Myanmar became more open to international norms and practices. For instance, just months after ASEAN decided to let Myanmar become the ASEAN chair, Myanmar released Daw Aung San Suu Kyi from house arrest.

Furthermore, ASEAN has consistently engaged the global community. ASEAN is party to many free trade agreements with other countries, including Australia, New Zealand, China, India, Japan, and South Korea. It is also at the center of multilateral platforms such as the ASEAN Regional Forum (ARF), which brings 27 nations together—including North Korea. In fact, the ARF is the only major multilateral forum attended by North Korea. As there is no comparable regional organization for the Northeast Asian countries, these countries’ meetings at ASEAN summits have been a major contribution to the reigning culture of peace in Asia.

The ASEAN Plus meetings also facilitated early meetings between leaders of China, Japan and South Korea (three countries that have traditionally distrusted each other). When Sino-Japanese relations were tense after Prime Minister Ryutaro Hashimoto visited the Yasukuni Shrine in the late 1990s, an ASEAN summit in 1999 in the Philippines helped to ease the strained ties by facilitating face-saving meetings. At the summit, Japan invited leaders from China and South Korea for a breakfast meeting. This broke the ice, and the leaders from the three countries have since met regularly on the fringes of ASEAN Plus Three meetings. ASEAN has, thus, made significant geopolitical contributions through these multilateral fora.

The third key to ASEAN’s success is its policy of non-intervention. The West has often needed the ASEAN
states to criticize one another when their human rights records slipped. Yet ASEAN countries ignored this advice and sedulously avoided meddling in one another’s domestic affairs. This has resulted in a lasting peace. While there have been minor tussles between neighboring Member States, those disputes have petered out quickly, reflecting ASEAN’s facility for conflict management and quiet diplomacy. This low-key approach has been highly effective in defusing potentially explosive situations, such as the Thai-Cambodia border dispute, as well as the dispute over Sabah between Malaysia and the Philippines.

It is clear that, at its very heart, ASEAN’s success is based on the fundamental principle of mutual respect. For example, though Indonesia is clearly the largest ASEAN state, it has never sought to use its power and clout to control the organization. If some countries are unwilling or unable to implement ASEAN policies, they are not forced to do so. Neither do any of the Member States try to force the rest to comply with their wishes. In a multicultural context, respectful inclusiveness is the key to success. One cannot claim to be a responsible steward of a region while disregarding the voices, needs, and wishes of many of its inhabitants.

**THE ASEAN MIRACLE**

In the coming century of intense connectivity, the world will have to learn to cooperate in order to handle global threats, such as extremism, pandemics, climate change, and economic volatility from the free market. It will also have to cooperate to take advantage of the massive opportunities that globalization brings. Many of these massive opportunities will be in the Asian economies, which are rising rapidly as they implement key lessons that they have learnt from observing the Western nations—such as free market economics, meritocracy, pragmatism, and peace.

To keep the global boat afloat, the international system must be re-ordered to reflect Asia’s rise. Savvy politicians, policymakers and businesspeople will also have to learn to navigate Asian culture, business, and politics. To learn how to do so, they would do well to look to ASEAN, which has miraculously turned a region that used to be on a knife-edge into a peaceful and eminently successful collective. True, ASEAN is not perfect. It has made many mistakes and will continue to face serious challenges. However, the world would be doing itself a disservice if it did not deeply study and come to understand the reasons for the triumph of the ASEAN way.